2011 TRAINING INDUSTRY REPORT

ABOUT THIS STUDY

Now in its 30th year, The Industry Report is recognized as the training industry's most trusted source of data on budgets, staffing, and programs. This year, the study was conducted by an outside research firm in May/June 2011, when members from the *Training* magazine database were e-mailed an invitation to participate in an online survey. Only U.S.-based corporations and educational institutions with 100 or more employees were included in the analysis. Agencies of the state, local, and federal government were not included in the analysis.

The data represents a cross-section of industries and company sizes.

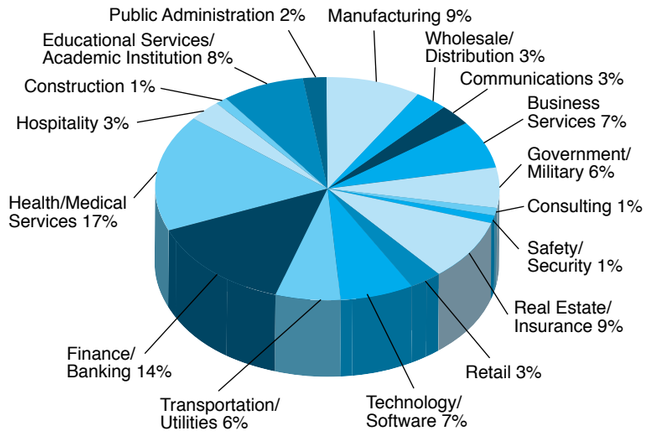
SURVEY RESPONDENTS

Small companies (100-999 employees)	**29%**
Midsize (1,000-9,999 employees)	**40%**
Large (10,000 or more employees)	**31%**
Total respondents	**790**

Note that the figures in this report are weighted by company size and industry according to the Dun & Bradstreet database of U.S. companies. Since small companies dominate the U.S. market, in terms of sheer numbers, these organizations receive a heavier weighting, so that the data accurately reflects the U.S. market.

Industrial Classifications

Respondent profile by industry (weighted per Dun & Bradstreet).



About Survey Respondents:

- 49% are managers or above in the organization
- 25% are developers or instructional designers
- 22% are mid- to low-level (based on title selection) associates
- 51% determine the need for purchasing products and services
- 18% set the budget
- 26% manage request for proposals/bids
- 66% recommend the purchase
- 16% have the final purchase decision

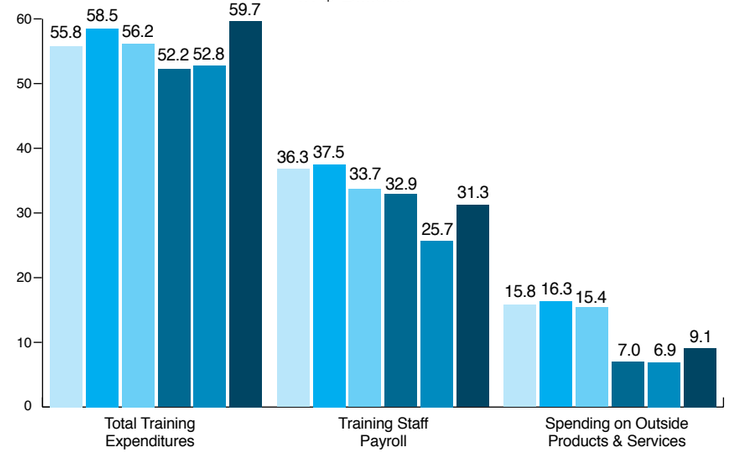
TRAINING EXPENDITURES

The economic roller coaster ride continues, but training appears to be on an upswing: Total 2011 U.S. training expenditures—including payroll and spending on external products and services—jumped 13 percent to $59.7 billion. Some 32 percent of respondents reported that their training budget increased—up from 24 percent last year. Likewise, training payroll increased substantially, from $25.7 billion to $31.3 billion, and spending on outside products and services jumped more than $2 billion to $9.1 billion.

The training budget figure was calculated by projecting the average training budget to a weighted universe of companies, using the Dun & Bradstreet counts of U.S. organizations with more than 100 employees. It is interesting to note that although small companies have the smallest annual budgets, there are so many of them that they account for 77 percent of the total budget for training expenditures.

Training Expenditures 2006-2011

In $ Billions



DEFINITIONS

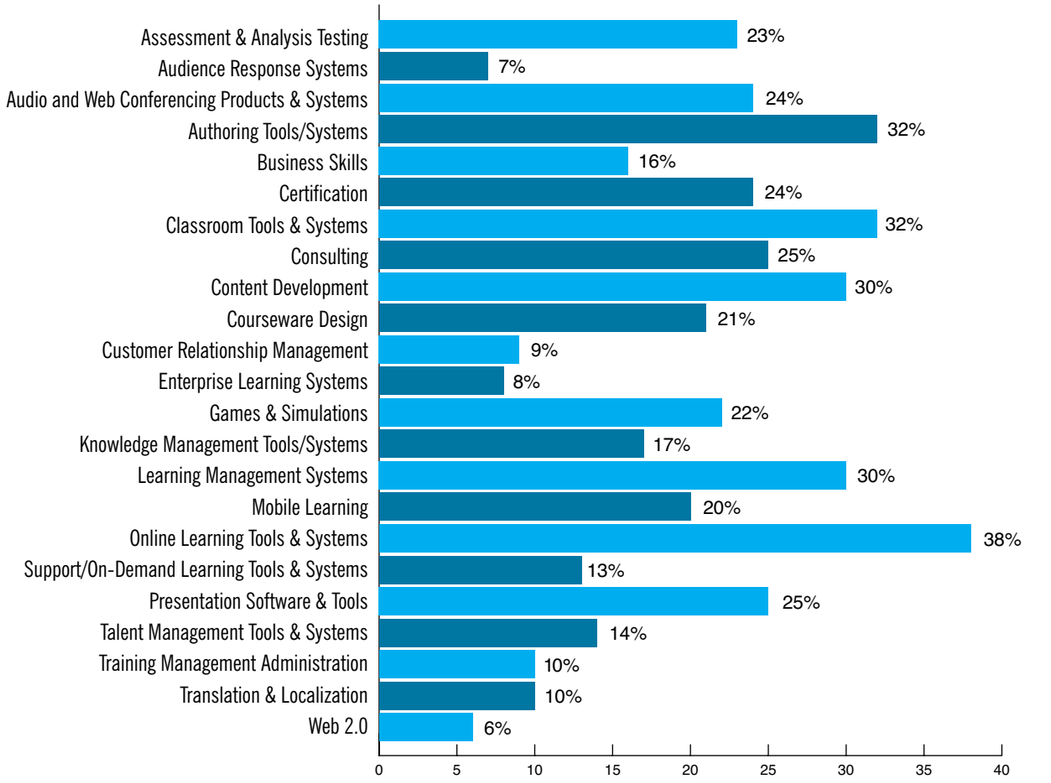
- **Total training spending:** All training-related expenditures for the year, including training budgets, technology spending, and staff salaries.
- **Training staff payroll:** The annual payroll for all staff personnel assigned to the training function.
- **Outside products and services:** Annual spending on external vendors and consultants, including all products, services, technologies, off-the-shelf and custom content, and consulting services.

Average of Total Annual Budget

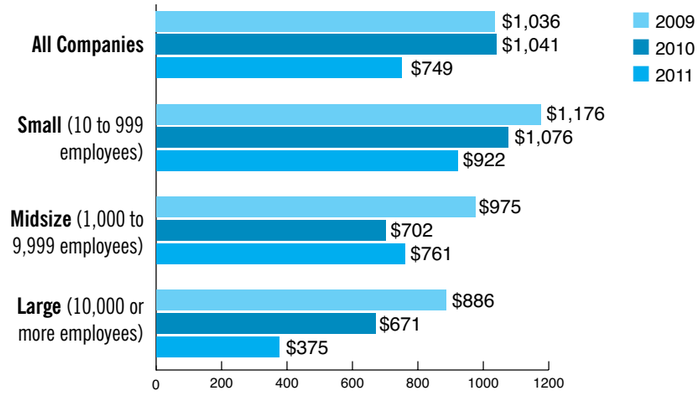
Organization Type	Large	Midsize	Small	Grand Total
Association	N/A	$1,800,000	$256,100	$1,028,050
Education	$996,818	$398,533	$388,571	$467,538
Government/Military	$5,852,000	$1,775,800	$225,276	$2,000,298
Manufacturer/Distributor	$28,860,744	$1,843,542	$332,333	$5,216,078
Nonprofit	$12,093,320	$1,234,125	$179,791	$1,957,395
Retail/Wholesale	$466,667	$1,656,250	$185,778	$816,100
Services	$12,403,144	$2,212,342	$252,928	$3,974,934
Avg. Across Sizes	$12,677,841	$1,776,997	$256,082	$3,221,676

TRAINING EXPENDITURES

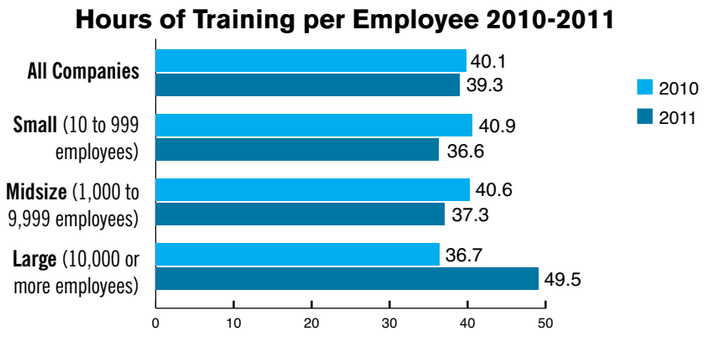
Types of Training Products and Services Intended to Purchase Next Year



Training Expenditures per Learner 2009-2011



Hours of Training per Employee 2010-2011



The contribution of large companies decreased, although the number of large companies increased this year. Midsize companies showed the greatest increase compared to last year, going from $8.89 billion to $12.47 billion. Both the number of midsize companies and the base budget for them increased this year. Small companies had a modest (9 percent) increase in the average total budget, but the number of small companies decreased by 10 percent. The total contribution by small companies increased 7 percent this year.

Other expenditures decreased slightly to $19.3 billion from $20.1 billion in 2010. On average, organizations spent 19 percent of their budget or $345,791 on learning tools and technologies. Manufacturers/distributors had the largest budget in this area, while small retail/wholesale organizations spent a larger portion of their budgets on learning tools and technologies. Looking ahead, nearly 40 percent of organizations plan to purchase online learning tools and systems in the coming year, while approximately 30 percent said they would buy authoring tools/systems, classroom tools and systems, and learning management systems. These numbers are virtually the same as last year. Intent to purchase audio and Web conferencing products and systems declined from 27 percent in 2010 to 24 percent in 2011.

The jump in payroll can be attributed in part to a significant increase in training staff. Some 29 percent of organizations said they increased staff from the year before (up from 16 percent in 2010), while 55 percent said the level remained the same (down from 61 percent in 2010). Only 16 percent said it was lower, vs. 23 percent in 2010. Manufacturers/distributors have the largest personnel costs at an average of $2 million. Across all organization types, larger companies spend roughly five times as much as midsize ones, and midsize companies spend approximately five times as much as small ones. The average payroll figure for large companies was $3.8 million; for midsize organizations, it was $745,663; for small companies, it was $142,294. The overall average for all companies was $1 million.

Overall, on average, companies spent $749 per learner this year compared with $1,041 per learner in 2010. Increased staffing, economies of scale, and costs saved by moving to e-learning factor into the decreased spend per learner.

For those who reported an increase in their training staff, the average increase was six people, the same as in 2010. For those who reported a decrease in their staff, the average decrease was nine people—down from 10 last year.

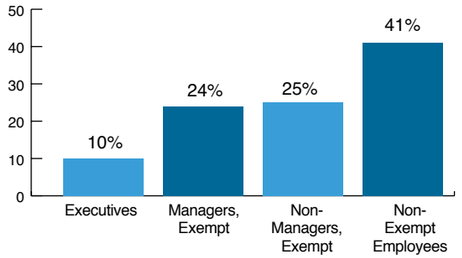
On average, employees receive 39 hours of training per year, one hour less than last year. While large retail/wholesale organizations have the highest average number of hours overall (93), government/military organizations have the greatest number of hours regardless of size (average of 68).

Executives saw a decline in their share of training resources, from 22 percent of the training spend down to 10 percent in 2011. Non-exempt employees saw their share rebound back to 2009 levels at 41 percent, up from 26 percent in 2010.

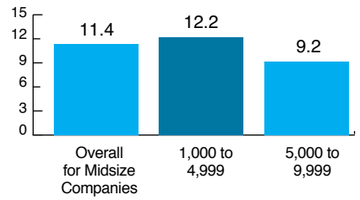
Like last year, the highest percentage of organizations (26 percent) said management/supervisory training will receive more funding than last year. On average, organizations plan to allocate the most funding to professional/industry-specific training ($2.7 million), followed by IT/systems training at $848,327 and mandatory/compliance training ($680,379).

TRAINING EXPENDITURES

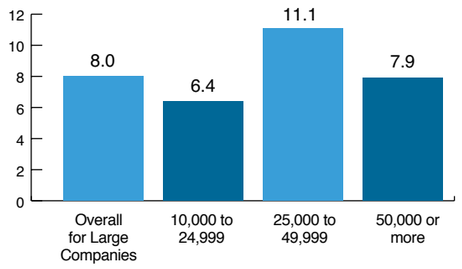
Training Expenditure Allocations–Who Gets Trained?



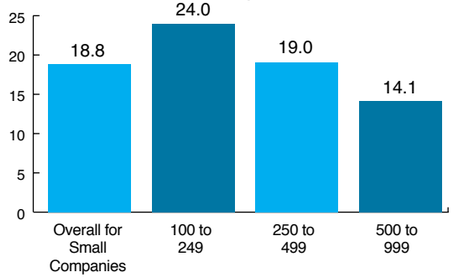
Staff per 1,000 Learners
Midsize Companies



Staff per 1,000 Learners
Large Companies

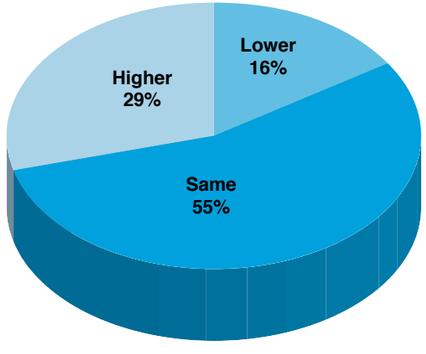


Staff per 1,000 Learners
Small Companies



The average training budget for large companies was $12.7 million, while midsize companies allocated an average of $1.8 million, and small companies dedicated an average of $256,082.

Is the Number of Training-Related Staff Higher or Lower Than Last Year?



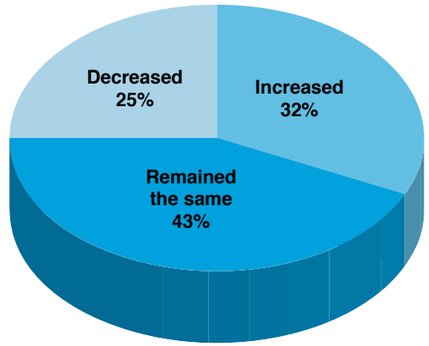
TRAINING BUDGETS

The average training budget for large companies was $12.7 million (down from $15.9 million in 2010), while midsize companies allocated an average of $1.8 million (up from $1.3 million last year), and small companies $256,082 (up from $234,850).

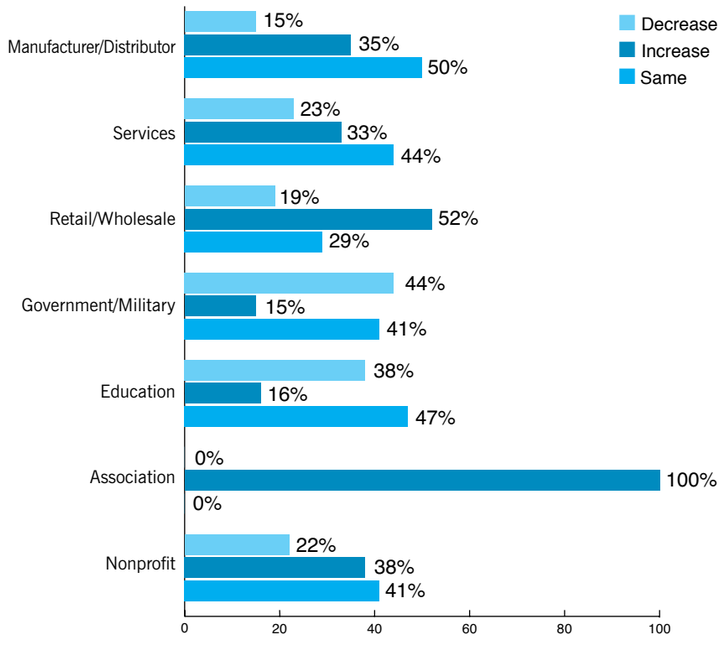
The majority of companies—43 percent—said their training budget remained the same, while 32 percent said it went up and 25 percent said it decreased; this is a reversal from last year, when 32 percent said it decreased and 24 percent said it increased. Some 42.9 percent saw increases in the 6 to 15 percent range, while 37.4 percent reported increases in the 1 to 5 percent range. More midsize companies reported an increase in budget overall. Most respondents who reported an increase in their training budgets attributed it to the following reasons:

- Increase in the scope of their training programs (67 percent; up from 57 percent in 2010)
- More learners served (62 percent; up from 43 percent last year)
- Added training staff (52 percent; up from 33 percent)

What Happened to Your Training Budget This Year?



Budget Change by Industry



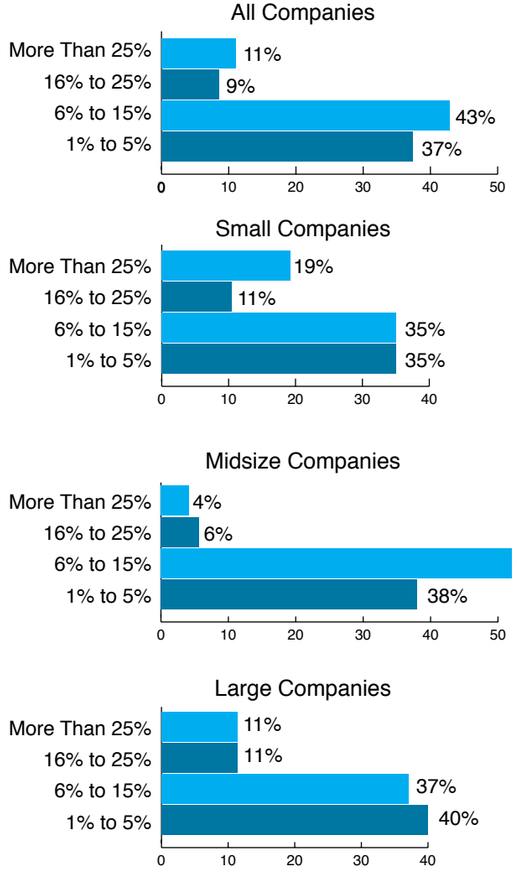
TRAINING BUDGETS

Like last year, the majority (50 percent) of respondents reported budget decreases between 6 and 15 percent. More than 60 percent chose "other" as the reason for the decrease, citing "across-the-board budget cuts," "decreasing revenues," and "economic reasons," among others. This was followed by:

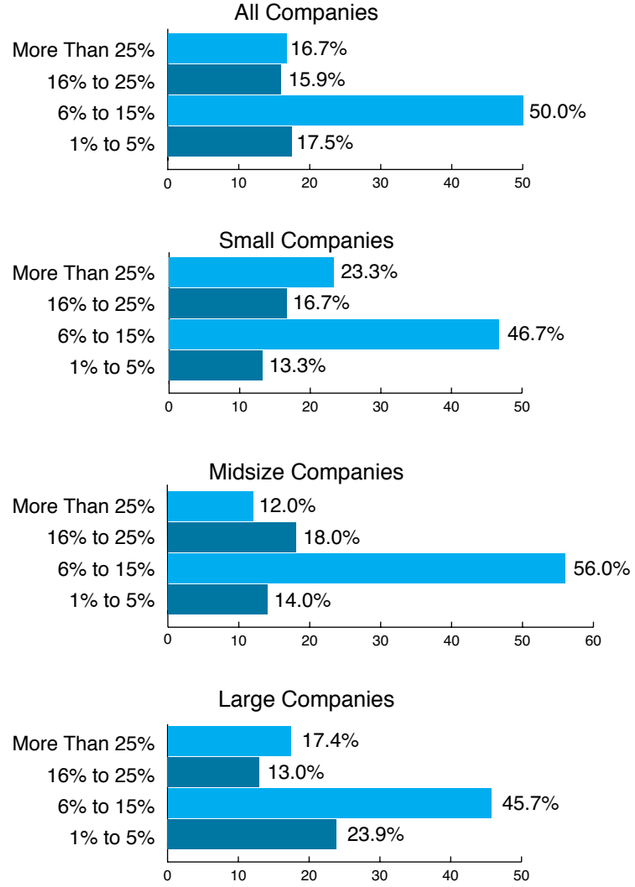
- Budget adjustments to reflect lower costs (50 percent; up from 39 percent last year)
- Staff reductions (48 percent; up from 35 percent)
- Attended fewer outside learning events (42 percent; up from 41 percent)

The most important priorities for training in terms of allocating resources in 2011 are: increasing the effectiveness of training programs (28 percent, up from 26 percent last year) and reducing costs/improving efficiencies (the same as 2010 at 23 percent), followed by measuring the impact of training programs and increasing learner usage of training programs (both with 13 percent). Like last year, learning infrastructure/technology initiatives and obtaining revenue through external training remain the lowest priorities.

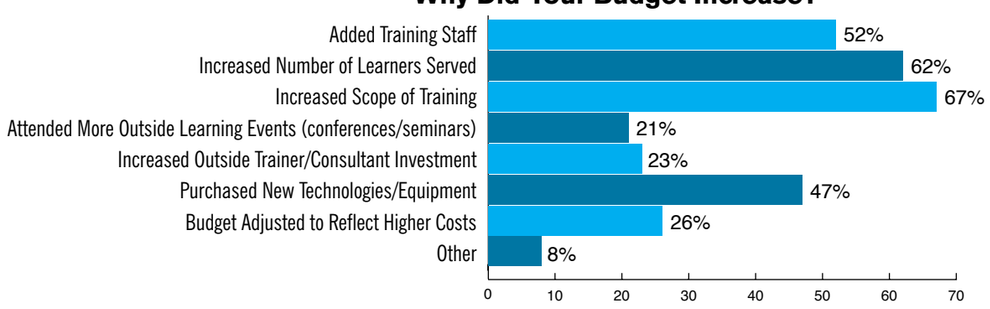
How Much Did Your Training Budget Increase?



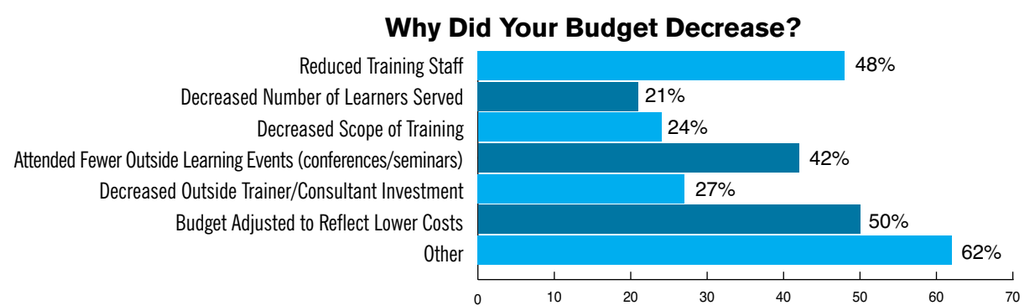
How Much Did Your Training Budget Decrease?



Why Did Your Budget Increase?

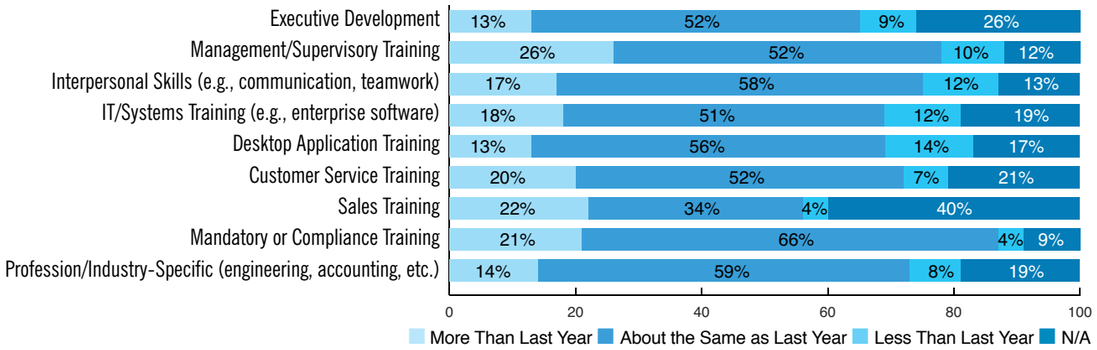


Why Did Your Budget Decrease?



TRAINING BUDGETS

Projected Funding for Learning Areas Next Year



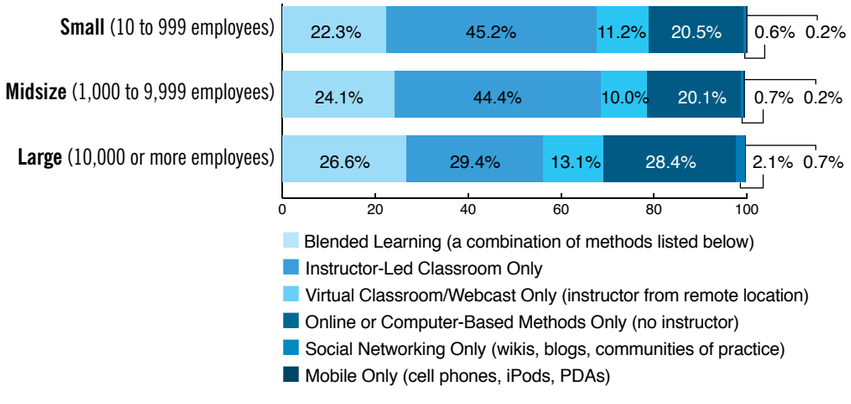
TRAINING DELIVERY

Technology remains a force in training but did not show significant gains in 2011. In particular, hours of training delivered via social networking and mobile declined.

- 41.6 percent of training hours are delivered by a stand-and-deliver instructor in a classroom setting; that figure is up significantly from the 27.7 percent reported last year and nearly back to the 47 percent reported in 2009.
- 24 percent of hours are delivered with blended learning techniques, up a bit from 21.9 percent last year.
- 21.9 percent of hours are delivered via online or computer-based technologies, down slightly from 23.6 percent last year.
- 1.3 percent of training hours are delivered via social networking or mobile devices, down from 7.2 percent last year.

Small and midsize companies continue to rely on instructor-led delivery methods more so than large companies: 45 percent vs. 30 percent. Blended learning is fairly even across companies of all sizes at roughly 24 percent. Large companies appear to be focusing on online or computer-based methods (28 percent vs. 20 percent for small and midsize companies).

Training Delivery Methods by Company Size 2011



TRAINING DELIVERY

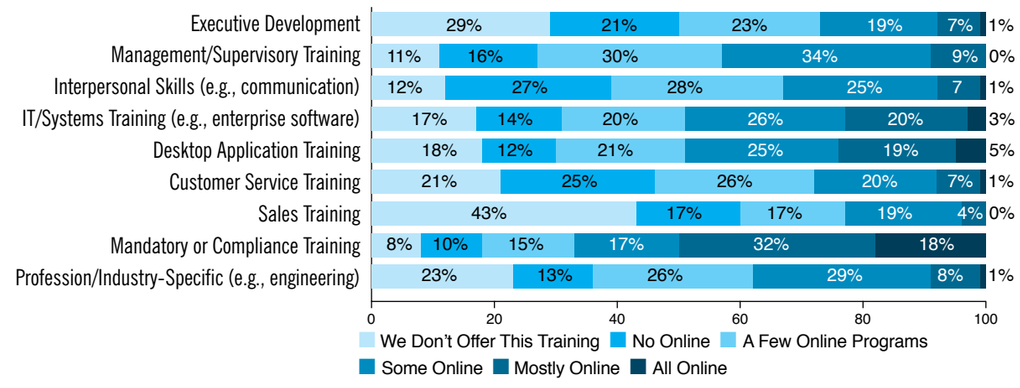
Mandatory or compliance training continues to be done mostly online, with 73 percent of organizations doing at least some of it online and 18 percent entirely online. Online training also often is used for desktop application training (59 percent, up from 47 percent last year) and IT/systems application training (60 percent, up from 48 percent last year). Online training is least used for customer service training (36 percent), executive development (39 percent), and interpersonal skills (38 percent). Of the learning technologies presented, the most often used include:

- Virtual classroom/Webcasting/video broadcasting (76 percent, up from 71 percent last year). That said, 54 percent of companies use virtual training methods for less than 10 percent of their programs.
- Learning Management System (LMS) (69 percent, up from 67 percent)
- Usage of an application simulation tool increased slightly from 43 percent last year to 46 percent this year.

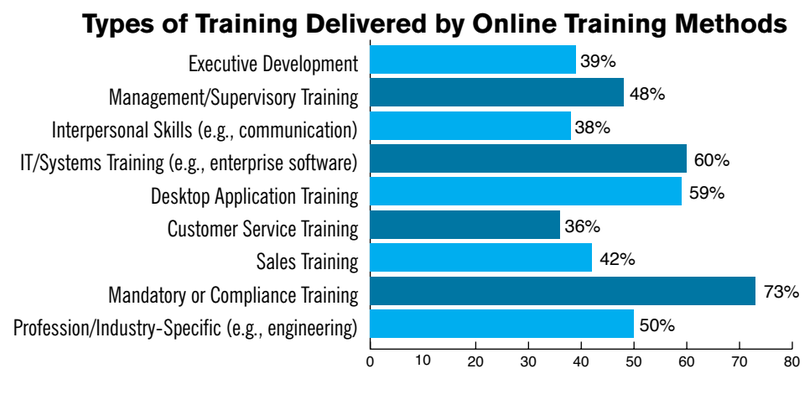
The delivery methods least often used for training remain the same as last year:

- Podcasting at 21 percent
- Online Performance Support (EPSS) or knowledge management system at 23 percent
- Learning Content Management System (LCMS) at 26 percent

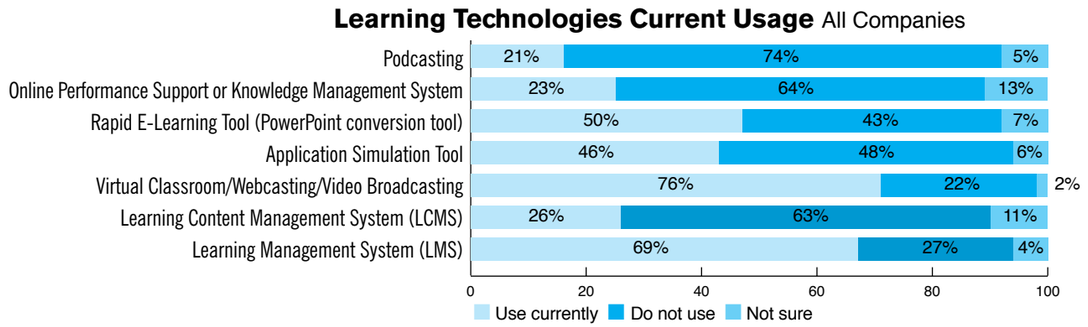
Online Method Use for Types of Training

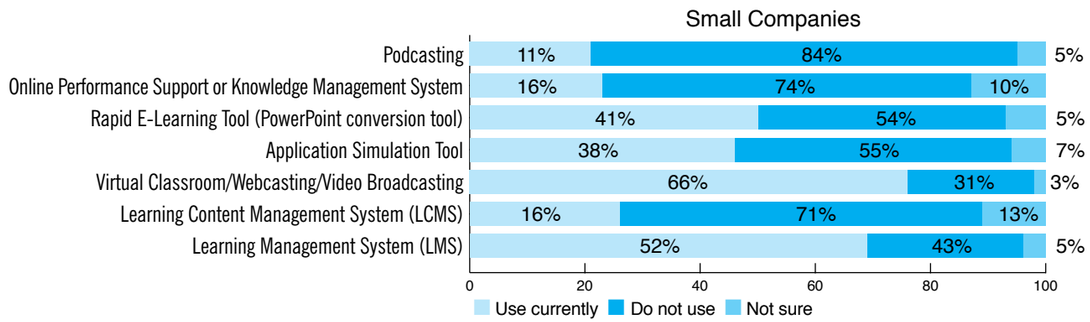


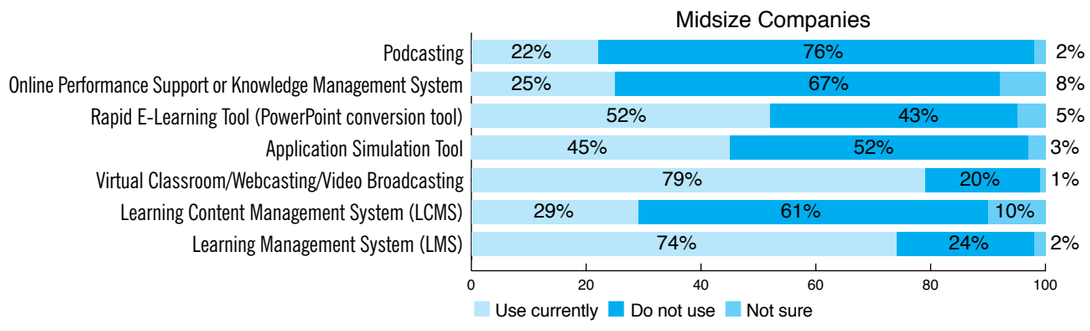
Types of Training Delivered by Online Training Methods

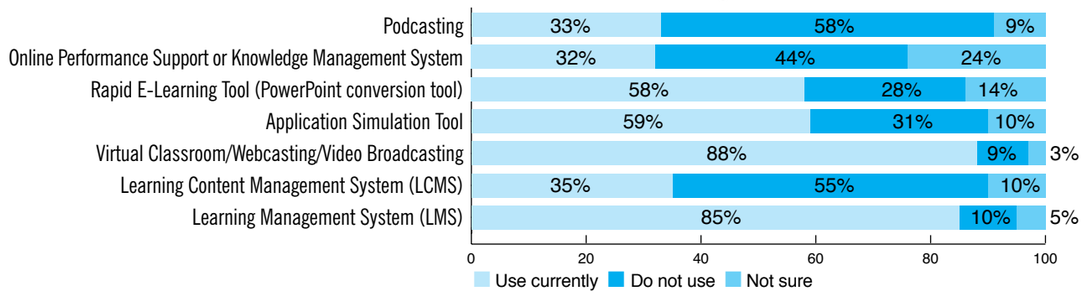


TRAINING DELIVERY









TRAINING OUTSOURCING

2011 saw a significant rise in the average expenditure for training outsourcing: $606,563, up from $257,871 in 2010. An average of 23 percent of the total training budget was spent on outsourcing.

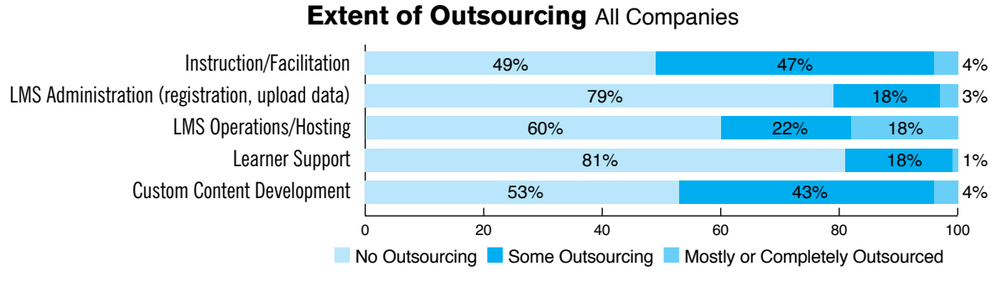
On average, 18 percent of companies completely outsource LMS operations/hosting (vs. 21 percent last year). LMS administration, however, continues to be mostly handled in-house, with only a small amount outsourced. Learner support is largely handled in-house, as well.

- Outsourcing learner support decreased a bit, from 21 percent in 2010 to 19 percent in 2011, while custom content development rose from 40 percent to 47 percent.
- Instruction/facilitation again is the most often considered for some degree of outsourcing, up from 44 percent last year to 47 percent this year).

As with 2011, the level of outsourcing is expected to stay relatively steady in 2012—some 79 percent of organizations said they expect to stay the same in the outsourcing area. And the percentage of companies expecting to increase use is almost exactly offset by those organizations expecting to decrease outsourcing for the same functions. On balance, large companies will outsource less, especially when it comes to instruction/facilitation and LMS administration. Midsize companies may outsource more custom content development.

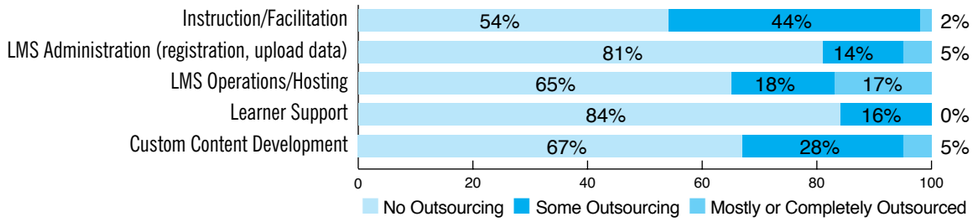
Both of the two areas with the least outsourcing this year, learner support and LMS administration, anticipate slightly less outsourcing vs. slightly more, plus an average of 48 percent said they have no intention of outsourcing those functions, so those numbers can be expected to dip again next year.

2011 saw a significant rise in the average expenditure for training outsourcing: $606,563, up from $257,871 in 2010. An average of 23 percent of the total training budget was spent on outsourcing. The level of outsourcing is expected to stay relatively steady in 2012.

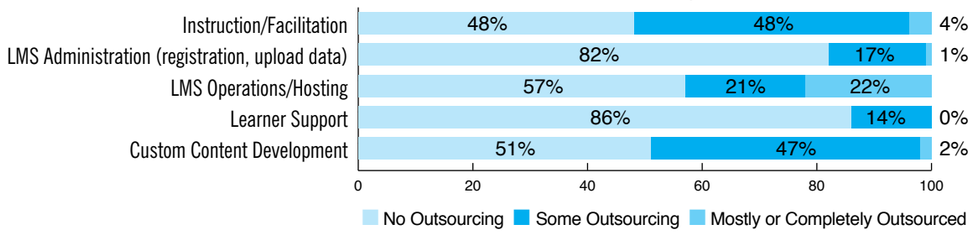


TRAINING OUTSOURCING

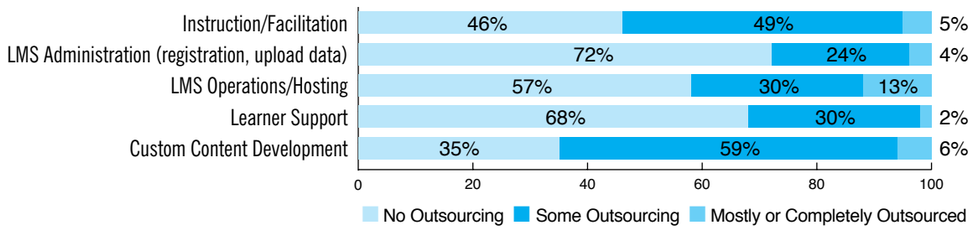
Extent of Outsourcing Small Companies



Midsize Companies

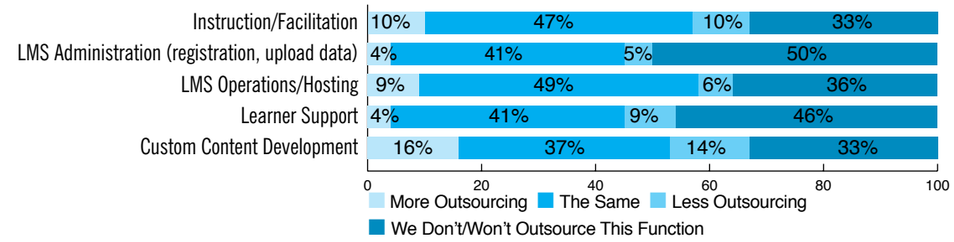


Large Companies

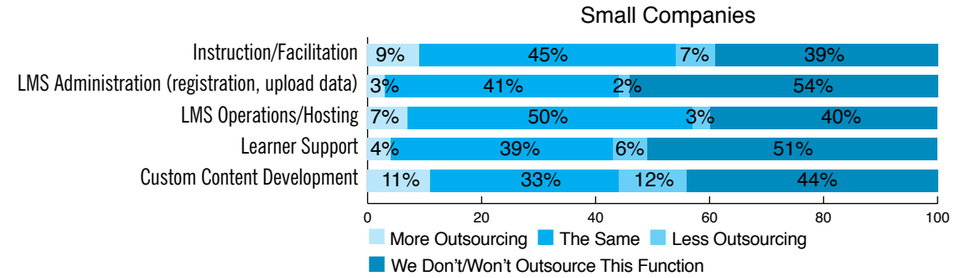


In 2012, large companies will outsource less, especially when it comes to instruction/facilitation and LMS administration. Midsize companies may outsource more custom content development.

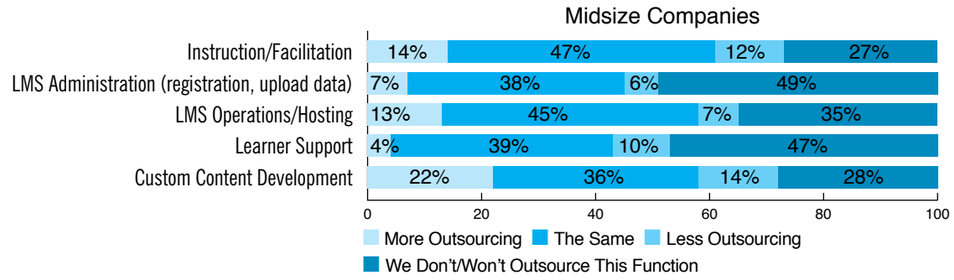
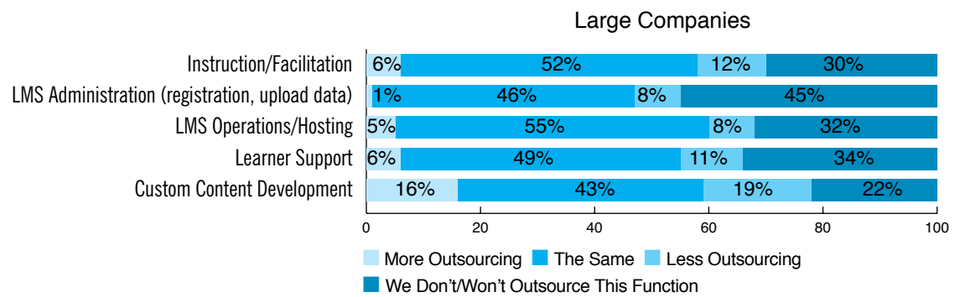
Projected Use of Outsourcing All Companies



Small Companies



Midsize Companies



Large Companies